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AICPA *Washington Report*

June 9, 1980, Volume IX, Issue 15

CSA	Inadequate internal controls is again reviewed by Congress.....	p.1
CWPS	Senate rejects Administration fund request.....	p.1
DIDC	Comment period on premiums extended by Committee.....	p.1
FERC	Revision of annual reports for natural gas companies proposed.....	p.1
FRB	Proposed regulation D: Monetary Control Act of 1980.....	p.1
	Board seeking nominations for Consumer Advisory Council.....	p.2
HHS	Common Medicaid-Medicare audit requirements and insurance clarification for hospitals.....	p.2
	Amendment to Department-wide grants administration requirements.....	p.2
	AICPA names combination of incompatible objectives main concern with AHR...p.2	
HUD	Audits by IG save taxpayers millions.....	p.3
SBA	Simplification of loan audits proposed.....	p.3
Treasury	Rule proposed on excise tax treatment for exports subsequently imported and sold in the U.S.....	p.3
	Electronic fund transfers proposed for certain excise tax payments.....	p.4
	Regulations tightened on reporting of currency transactions.....	p.4
	IRS Advisory Group to meet.....	p.4
Special	Bill provides for futures margins to be set by Fed.....	p.4

COMMUNITY SERVICES ADMINISTRATION

The adequacy of Community Services Administration (CSA) internal controls was again the subject of a Congressional hearing on 6/5/80. Sen. Lawton Chiles (D-Fla), Chairman of the Subcommittee on Federal Spending Practices and Open Government, Committee on Governmental Affairs, listened to a number of witnesses address the problems associated with community action programs. Donald L. Scantlebury, Director of the Financial and General Management Studies Division, GAO, repeated many of his criticisms relating to the vulnerability of CSA and its grantees to misuse and embezzlement of government funds which he had aired at the House Subcommittee hearing on 5/6/80, (see the 5/12/80 Wash. Rpt.). Office of Management and Budget Deputy Director John White discussed recent steps by OMB to improve accountability, emphasizing the audit requirements of the major Federal aid programs.

COUNCIL ON WAGE AND PRICE STABILITY

A tripling of the Council on Wage and Price Stability Staff, from 233 to 637 employees, as requested by the Administration, is unlikely to occur as a result of a 6/2/80 vote by the U.S. Senate. The Senate, by a vote of 54-26, decided to reject the recommendation of the Senate Banking Committee which had previously agreed that CWPS should receive approximately \$13 million in FY 1980 and \$25 million in FY 1981. Following the lead of the House Banking Committee, (see the 5/19/80 Wash. Rpt.), the Senate decided to provide \$8.4 million for this fiscal year and \$9.7 million for next year. The timing on a House vote is uncertain, owing to the crowded June calendar which appears reserved primarily for appropriations bills. The funds likely to be approved by Congress will allow the CWPS to add two additional staffers, and not provide additional support for the President's Pay and Price Advisory Boards.

DEPOSITORY INSTITUTIONS DEREGULATION COMMITTEE

An extension of the comment period on the proposed rule to prohibit the giving of premiums and gifts by depository institutions was announced by the Depository Institutions Deregulation Committee, (see the 6/6/80 Fed. Reg., pp.38072-73). The rulemaking, announced 5/16/80, (see the 5/19/80 Wash. Rpt.), requested comments by 6/16/80. In order to facilitate public participation the comment period has been extended to 7/16/80. For additional information contact Douglas Birdzell at 202/389-4324.

FEDERAL ENERGY REGULATORY COMMISSION

A revision of annual reports 1-F, for class C & D utilities and licensees and 2-A, for class C & D National Gas Companies, has been proposed recently by the Commission, (see the 5/30/80 Fed. Reg., pp.36428-30). The amendments would eliminate certain unnecessary data elements and ease reporting requirements. Comments are requested by 7/22/80. For additional information contact James Kitchen at 202/357-9212.

FEDERAL RESERVE BOARD

The implementation of the reserve requirement provisions of the Monetary Control Act of 1980, is the subject of a proposed Regulation D by the

Federal Reserve Board. Major provisions of the proposed new regulation include definition of transactions accounts; and non-personal time deposits; Eurodollar reserve requirement; eligible reserve assets; contemporaneous reserve accounting; and, phase-in reserve requirements. Comments are requested by 7/15/80.

Additional nominations of qualified individuals for eight appointments to the Federal Reserve System's Consumer Advisory Council are being sought by the Board of Governors. Nominations received will be added to the list of nominees submitted in 1979. The Consumer Advisory Council was established by Congress in 1976, at the suggestion of the Board, to advise the Board on the exercise of its duties under the Consumer Credit Protection Act and on other consumer-related matters. The Board is especially interested in candidates who are familiar with issues in the area of consumer credit and other financial services. Generally, the Council meets four times a year for approximately a day and a half. Nominations should be submitted in writing to Janet Hart, Director, Division of Consumer and Community Affairs, Board of Governors of the FRS, Washington, D.C. 20551, and must be received no later than 8/1/80. Nominations should include the name, address, and telephone number of the nominee, past and present positions held, and special knowledge, interests, or experience relating to consumer matters.

HEALTH AND HUMAN SERVICES, DEPARTMENT OF

An amendment to Medicaid regulations to prohibit Federal matching of State costs for hospital reimbursement audit activities that duplicate Medicare audit activities has been proposed by the Health Care Financing Administration, (see the 6/3/80 Fed. Reg., pp.37466-68). When Medicaid audits a hospital, HCFA believes that information should be available to Medicaid agencies and HCFA should not pay the states to collect the same information. Where states require information not routinely obtained in Medicare audits, they can either arrange for broader Medicare audits or collect the additional data themselves and seek Federal reimbursement. Comments are requested by 8/4/80. For additional information contact Don Nowtski at 301/594-9063.

In a related matter, HCFA has issued a proposal to clarify, reorganize and re-number existing regulations for hospital insurance--Part A of Medicaid, (see the 5/30/80 Fed. Reg., pp.36443-60). Comments are requested by 7/29/80. For additional information contact Harold Fishman at 301/594-9077 or Martin Horowitz at 301/594-9823.

An amendment to the HHS Department-wide grants administration regulation to implement Attachment O of OMB Circular A-102, is the subject of a final rule issued by HHS, effective 6/3/80, (see the 6/3/80 Fed. Reg., pp.37666-72). The final rule changes the way HHS implements the OMB standards and implements a recent OMB policy amendment on the timing of reimbursement to recipients for amount they withhold from contractors to assure satisfactory completion of work. For further information contact Matthias Lasker at 202/245-7565.

The AICPA Subcommittee on Health Care Matters has recently issued a comment letter on the proposed Annual Hospital Report (AHR) to the Health Care Financing Administration. The Subcommittee believes that the proposal, if implemented, would require an unnecessarily extensive uniform accounting

system for hospitals. The opposition to AHR is based on three major concerns. 1) It combines incompatible objectives of reimbursement with those of uniform reporting. The degree of detail and the nature of the information necessary to satisfy these objectives are different. AHR's requirement would adversely affect the purposes of both reporting mechanisms. 2) It would be extremely costly since AHR would force hospitals to adopt a new accounting system to encompass the reports required by AHR. 3) The detail required by AHR for the purpose of planning, measuring and comparing the efficiency and effectiveness of hospital services may be excessive and unnecessary.

Anyone wishing to receive a free copy of the AIPCA's comment letter on AHR may do so by contacting the AICPA Washington Office at 202/872-8190 ext. 47 and requesting Document 15-1 prior to 6/20/80.

HOUSING AND URBAN DEVELOPMENT, DEPARTMENT OF

The Department of Housing and Urban Development recently recovered more than \$11 million during the first six months of the current fiscal year as a result of audits by the HUD Office of Inspector General, (OIG). According to a semi-annual report submitted to Congress by the Inspector General, the money came from program fund recipients who were required to make restitution based on audit findings involving inappropriate expenditures. The report also describes the progress being made on a number of recent fraud control initiatives by the OIG and HUD's Committee on Fraud, Waste and Mismanagement. These include a fraud vulnerability assessment system for all new or substantially revised HUD programs, a review of HUD's monitoring systems and procedures, a guide to assess management information bulletins to employees.

SMALL BUSINESS ADMINISTRATION

A simplification of loan audits is the subject of a recent proposed rule by the Administration, (see the 6/3/80 Fed. Reg., pp.37454-55). The amendment to the loan policy will require that a standard method of interest computation be utilized on all loans. Use of a common interest basis will simplify loan audits and allow for reduced timeframes in purchased transactions. Comments are requested by 8/4/80. For additional information contact John Lagos at 202/653-6506.

TREASURY, DEPARTMENT OF

Exported articles that are returned to the U.S. in an unused condition and resold would be subject to excise tax liability of Section 4061(a) (1) of the Code, under a rule proposed by the IRS. The rule would relate to articles previously sold tax free for exportation under Section 4221(a) (2) of the Code that are returned to the U.S. and resold. The proposal provides two illustrative examples which provide guidance to importers and retailers as to when excise tax liability will apply. In a situation where exported goods were sold to and used by a final consumer and subsequently returned to the U.S. and resold, no excise tax liability would apply. Written comments and requests for a public hearing are requested within 60 days of the publication of this proposal in the Federal Register, expected during the week of 6/9/80. For additional information contact Kyllitiki Kusma at 202/566-3287.

Electronic fund transfer of payments for certain alcohol and tobacco, excise taxes was recently proposed by the Bureau of Alcohol, Tobacco and Firearms, (see the 6/6/80 Fed. Reg., pp.38258-59). The proposed rule would require large alcohol and tobacco products excise taxpayers, who pay \$5 million or more each fiscal year to pay such taxes by electronic fund transfer. This would enable the U.S. Treasury immediate credit of funds on the actual date the taxes are due rather than the current delay of 3 or more days while conventional instruments are delivered and cleared through the banking system. In effect, payments from approximately 150 large taxpayers (individual plants) would be affected and would promote significant interest savings to the Treasury. Comments are requested by 8/5/80. For additional information, contact James Hunt at 202/566-7626.

Reporting and maintenance of records of cash transactions in excess of \$10,000 will be required of financial institutions under a rule recently adopted by the Department, (see the 6/5/80 Fed. Reg., pp.37818-21). The rule, effective 7/7/80, is intended to improve the effectiveness of the currency reporting provisions of the Bank Secrecy Act. The rule, limits the ability of financial institutions to exempt customers from the reporting requirements, removes existing exemptions for a variety of businesses, requires that reports be filed within 15 days of the currency transaction, requires more complete identification of persons dealing in large amounts of currency and requires report retention for 5 years. Transactions with an established customer maintaining a deposit relationship are currently exempt from the reporting requirement. The rule limits this exemption to certain domestic businesses and requires that the location and nature of the business be identified. For additional information contact Robert Stanky at 202/566-5630.

The 16-member IRS Advisory Group, consisting of accountants (including 4 CPAs), attorneys, business executives, and educators, will meet on 6/9/80 and 6/10/80 with IRS Commissioner Jerome Kurtz in Washington, D.C., to discuss tax administration issues. This Group generally meets every quarter and is composed primarily of recognized experts in tax matters. Members serve for a 1 year term after being nominated by professional organizations in the tax field.

SPECIAL: BILL PROVIDES FOR FUTURES MARGINS TO BE SET BY FED

Authority to set margin requirements for financial futures would be given to the Federal Reserve Board under provisions of the S.2704; a bill introduced by Sen. William Proxmire (D-Wis), Chairman of the Committee on Banking, Housing and Urban Affairs. Hearings were held by the Committee on 5/29/80 during which Federal regulators urged the Committee to postpone any legislative action until a multi-agency task force complete a study on futures legislation. That study is due in July of this year. The bill, would give the Federal Reserve Board authority to set margins for financial futures contracts, and to prescribe the terms, conditions and amounts of credit that could be extended. FRB Chairman, Paul Volcker, suggested a review of the futures markets be completed before legislation be enacted. Any decision on Federal regulation should also include consideration of the interdependence of the futures market to the spot or cash market. When questioned as to whether the FRB opposed the bill,

Mr. Volcker responded that he would not oppose S.2704 but was reluctant to accept additional authority and if no alternative was found would accept unenthusiastically. Chairman Williams of the SEC endorsed the concept of providing the FRB with margin setting authority but also suggested any legislative action should wait for the study of the multi-agency task force. The only opposition to the bill was from 3 CFTC commissioners who said that recent silver market episode didn't "demonstrate a gap or inadequacy in the scheme embodied in the Commodity Exchange Act for regulating futures trading in all commodities including precious metals and financial instruments." They suggested that the FRB not replace the exchanges for setting margins for futures contracts.

For additional information contact:
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